

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of)	Re: Resolution No. CHI-94-28
Bernard M. Trager and)	Dated: September 26, 1994
Steven Trager)	
Institution-Affiliated Parties of)	
Republic Savings Bank, F.S.B.)	
Louisville, Kentucky)	

ORDER TO CEASE AND DESIST FOR RESTITUTION

WHEREAS, Bernard M. Trager and Steven Trager have executed a Stipulation and Consent to the Entry of an Order to Cease and Desist for Restitution ("Stipulation");

WHEREAS, Bernard M. Trager and Steven Trager, in the Stipulation, have consented to the issuance of this Order to Cease and Desist for Restitution ("Order") pursuant to 12 U.S.C. § 1818(b) and 12 C.F.R. § 556.16; 1/

WHEREAS, the Director of the Office of Thrift Supervision ("OTS") has delegated to the Regional Directors of the OTS the authority to issue Orders to Cease and Desist on behalf of the OTS where Bernard M. Trager and Steven Trager have consented to the issuance of the Order; and

WHEREAS, the Office of Thrift Supervision ("OTS") is of the opinion that:

From at least 1989, Republic Savings Bank, F.S.B. ("Republic") has been directing a majority of its title insurance business to Bankers Insurance Agency, Inc. ("Bankers"), rather than establishing and engaging in title insurance activities through a service corporation of Republic, as would be permitted under 12 C.F.R. § 545.74(c)(6)(ii). From at least 1989, until approximately January 1993, Bankers was considered an affiliate of Republic due to the ownership interests of various Trager family members in excess of ten percent (10%).

Republic's internal records reflect that under the direction of Bernard M. Trager and Steven Trager, Republic failed to consider the creation of a title insurance service corporation, thus resulting, in part, in a usurpation of Republic's corporate opportunity. In addition, Bernard M. Trager and Steven Trager knowingly failed to disclose the affiliated relationship between Republic and Bankers to Republic's board of directors. The actions of

1/ All references to the U.S.C. are as amended.

Bernard M. Trager and Steven Trager were in direct violation of 12 C.F.R. §§ 556.16 and 571.7.

NOW THEREFORE, IT IS ORDERED THAT Bernard M. Trager and Steven Trager shall cease and desist from any action (alone or with another or others) for or toward causing, bringing about, participating in, counseling or the aiding and abetting of violations of 12 C.F.R. §§ 556.16 and 571.7.

IT IS FURTHER ORDERED THAT:

RESTITUTION

1. Within thirty (30) days from the entry of this Order, Bernard M. Trager and Steven Trager, who are jointly and severally liable for the payment of remedial restitution required in this Order, shall pay remedial restitution in the amount of \$503,127, payable pursuant to the terms set-forth below:

a) Payment of \$488,127 shall be made to Republic Savings Bank, F.S.B., 601 West Market Street, Louisville, Kentucky 40202-2700; and

b) Payment of \$15,000 shall be made to the OTS constituting affirmative action to correct the conditions resulting from the matters set forth in this Order and the accompanying Stipulation and representing remedial reimbursement for the expenses incurred by the OTS in conducting investigation and enforcement activities in pursuit of this matter.

Payment to the OTS shall be made by tendering a certified check to the OTS in the amount of \$15,000 made payable to the "Office of Thrift Supervision". The check shall be sent, together with a cover letter stating the name of the association and the resolution number, and a copy of the Order, to the following address: Controller's Division, Office of Thrift Supervision, 1700 G Street, N.W., Washington, D.C. 20552. A copy of the cover letter to the Controller's Division, and a photocopy of the checks issued to the OTS and Republic Savings Bank, F.S.B., shall be sent to Senior Attorney Michael L. Del Medico, Office of Thrift Supervision, 111 East Wacker Drive, Suite 800, Chicago, Illinois 60601-4360.

MISCELLANEOUS

3. All technical words or terms used in this Order for which meanings are not specified or otherwise provided by the provisions of this Order shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, HOLA, FDIA or OTS Memoranda. Any such

Page 3

technical words or terms used in this Order and undefined in said Code of Federal Regulations, HOLA, FDIA, or OTS Memoranda shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

4. References in this Order to provisions of statutes, regulations, and/or OTS Memoranda shall be deemed to include references to all amendments to such provisions as have been made as of the Effective Date and references to successor provisions as they become applicable.

5. This Order shall become effective upon its execution by the OTS, through its authorized representative whose signature appears below.

THE OFFICE OF THRIFT SUPERVISION

By: Ronald N. Karr
Ronald N. Karr
Regional Director
Central Region

Date: 9-26-'94

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In the Matter of)
Bernard M. Trager and)
Steven Trager)
Institution-Affiliated Parties of)
Republic Savings Bank, F.S.B.)
Louisville, Kentucky)

Re: Resolution No. CHI-94-28
Dated: September 26, 1994

STIPULATION AND CONSENT TO THE ENTRY OF AN
ORDER TO CEASE AND DESIST FOR RESTITUTION

WHEREAS, the Office of Thrift Supervision ("OTS"), based upon information derived from the exercise of its regulatory responsibilities, is of the opinion that grounds exist to initiate an administrative cease and desist proceeding against Bernard M. Trager and Steven Trager, institution affiliated parties of Republic Savings Bank, F.S.B. ("Republic" or "Institution") 601 West Market Street, Louisville, Kentucky 40202-2700 (OTS Docket Number 07430), pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. § 1818(b) and 12 C.F.R. § 556.16. 1/

WHEREAS, Bernard M. Trager and Steven Trager desire to avoid the time and expense of such administrative proceeding and, without admitting or denying that such grounds exist, hereby stipulate and agree to the following terms:

1. Jurisdiction. (a) Republic is a "savings association" within the meaning of Section 3(b) of the FDIA, 12 U.S.C. § 1813(b), and Section 2(5) of the Home Owners' Loan Act, 12 U.S.C. § 1462(5). Accordingly, it is an "insured depository institution" as that term is defined in Section 3(c) of the FDIA, 12 U.S.C. § 1813(c).

(b) Bernard M. Trager is Chairman of the Board and a Director of Republic and is an "institution-affiliated party" of the Institution as that term is defined in Section 3(u) of the FDIA, 12 U.S.C. 1813(u).

(c) Steven Trager is an Officer and Director of Republic and is an "institution-affiliated party" of the Institution as that term is defined in Section 3(u) of the FDIA, 12 U.S.C. 1813(u).

1/ All references to the U.S.C. are as amended.

(d) Pursuant to section 8(b) of the FDIA, 12 U.S.C. § 1818(b), the appropriate Federal banking agency may issue a cease and desist order against any insured depository institution that engages in unsafe or unsound practices in conducting its business and/or violates a rule or regulation.

(e) Pursuant to section 3(q) of the FDIA, 12 U.S.C. § 1813(q), the Director of the OTS is the "appropriate Federal Banking agency" with jurisdiction over the Institution and persons participating in the conduct of the affairs thereof.

(f) The Director of the OTS has the authority to bring an administrative proceeding against persons participating in the conduct of the affairs of the Institution and institution-affiliated parties pursuant to Section 8(b) of the FDIA, 12 U.S.C. § 1818(b).

(g) Bernard M. Trager and Steven Trager are subject to the jurisdiction of the OTS to initiate and maintain a administrative proceeding against them pursuant to Section 8(b) of the FDIA, 12 U.S.C. § 1818(b).

2. Consent. Bernard M. Trager and Steven Trager consent to the issuance by the OTS of the accompanying Order to Cease and Desist for Restitution ("Order"). They further agree to comply with the terms of the Order upon issuance and stipulate that the Order complies with all requirements of law.

3. Finality. The Order is issued under Section 8(b) of the FDIA, 12 U.S.C. § 1818(b). Upon its issuance by the Regional Director or designee for the Central Region, OTS, it shall be a final order, effective and fully enforceable by the OTS under the provisions of Section 8(i) of the FDIA, 12 U.S.C. § 1818(i).

4. Waivers. (a) Bernard M. Trager and Steven Trager waive their right to a notice of charges and the administrative hearing provided by Section 8(b) of the FDIA, 12 U.S.C. § 1818(b), and further waive any right to seek judicial review of the Order, including any such right provided by Section 8(h) of the FDIA, 12 U.S.C. § 1818(h), or otherwise to challenge the validity of the Order.

(b) Bernard M. Trager and Steven Trager acknowledge and agree that the consent to the entry of the Order is for the purpose of resolving this OTS enforcement matter only, concerning Bankers Insurance Agency Inc., which is discussed in detail in various OTS examinations from September 8, 1992, up to the date of entry of the Order, and do not resolve, affect or preclude any other civil or criminal proceeding which may be or has been brought by the OTS or another governmental entity.

(c) Bernard M. Trager and Steven Trager acknowledge and agree that the obligation to pay restitution pursuant to this Stipulation and Consent to the Entry of an Order to Cease and Desist for Restitution and the accompanying Order shall not be dischargeable in bankruptcy under any circumstances. LH
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(d) Bernard M. Trager and Steven Trager waive any and all claims for the award of fees, costs or expenses related to this OTS enforcement matter and/or the Order, whether arising under common law or under the Equal Access to Justice Act, 5 U.S.C. § 504 and 28 U.S.C. § 2412.

5. Indemnification. Bernard M. Trager and Steven Trager shall neither cause or permit Republic (or any subsidiary thereof) to incur, directly or indirectly, any expense for the amount of restitution required under the Order or any legal expenses (or other professional expenses) incurred relative to the negotiation and issuance of the Order, nor obtain any indemnification (or other reimbursement) from Republic (or any subsidiary thereof) with respect to such amounts. Any payments received by or on behalf of Bernard M. Trager and/or Steven Trager in connection with this action shall be returned to Republic.

WHEREFORE, Bernard M. Trager and Steven Trager execute this Stipulation and Consent to the Entry of an Order to Cease and Desist for Restitution, intending to be legally bound hereby.

Office of Thrift Supervision

Accepted By:

By: Bernard M. Trager
Bernard M. Trager

Ronald N. Karr
Ronald N. Karr
REGIONAL DIRECTOR
Central

Date: 9-26-94

By: Steven Trager
Steven Trager